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IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

UNITED STATES OF AMERICA,

Plaintiff,

v.

JOHN E. KNAPP,
EVERGREEN INSTALLATION LLC,
NICOLLE M. SCALISE,
KING COUNTY,
QUALITY LOAN SERVICE
CORPORATION OF WASHINGTON,
SAKAGUCHI, FELLBECK & REESE PLLC,
WASHINGTON STATE,
SPECIALIZED LOAN SERVICING LLC, and
CITY OF CARNATION,

Defendants.

Case No. 2:22-cv-462

COMPLAINT

INTRODUCTION

1. This is a civil action timely brought by the United States to reduce to judgment outstanding federal tax liabilities assessed against John E. Knapp, Nicolle M. Scalise, and

1 Evergreen Installation LLC, and foreclose the federal tax liens as to certain real property located
2 in Carnation, Washington (the “Subject Property”).

3 2. This action is authorized by the Chief Counsel of the Internal Revenue Service
4 (“IRS”), a delegate of the Secretary of the Treasury, and is brought at the direction of a delegate
5 of the Attorney General of the United States, pursuant to 26 U.S.C. §§ 7401 and 7403.

6 **JURISDICTION AND VENUE**

7 3. This Court has jurisdiction to hear the action pursuant to 28 U.S.C. §§ 1340,
8 1345, and 26 U.S.C. §§ 7402(a) and 7403.

9 4. Venue is proper in this Court under 28 U.S.C. §§ 1391(b) and 1396, because it is
10 the district where the liability for the taxes at issue accrued, where the taxpayer defendant
11 resides, and where the Subject Property is located.

12 **DEFENDANTS**

13 5. Defendant John E. Knapp (“Mr. Knapp”) is an adult individual residing in this
14 judicial district. Mr. Knapp is named as a defendant in this action because the IRS assessed
15 federal income taxes against him, which remain unpaid, and because he has an interest in the
16 Subject Property.

17 6. Defendant Evergreen Installation LLC (“Evergreen Installation”) is a Limited
18 Liability Company in this judicial district. Mr. Knapp is the sole owner and proprietor of
19 Evergreen Installation, a window installation business. Evergreen Installation is named as a
20 defendant in this action because the IRS assessed federal income taxes against it, which remain
21 unpaid, and because it may have an interest in the Subject Property.

22 7. Defendant Nicolle M. Scalise (“Ms. Scalise”) is an adult individual residing in
23 this judicial district. Ms. Scalise is Mr. Knapp’s ex-wife. Ms. Scalise is named as a defendant in
24

1 this action because the IRS assessed federal income taxes against her, which remain unpaid, and
2 because she may have an interest in the Subject Property.

3 8. Defendant King County is named as a defendant in this action because it may
4 claim an interest in the Subject Property.

5 9. Defendant Quality Loan Service Corporation of Washington is named as a
6 defendant in this action because it may claim an interest in the Subject Property.

7 10. Defendant Specialized Loan Servicing LLC is named as a defendant in this action
8 because it may claim an interest in the Subject Property.

9 11. Defendant City of Carnation is named as a defendant in this action because it may
10 claim an interest in the Subject Property.

11 12. Defendant Sakaguchi, Fellbeck & Reese PLLC is named as a defendant in this
12 action because it may claim an interest in the Subject Property.

13 13. Defendant Washington State, by and through its Department of Social and Health
14 Services Division of Child Support, is named as a defendant in this action because it may claim
15 an interest in the Subject Property.

16 **MR. KNAPP AND MS. SCALISE'S TAX LIABILITIES**

17 14. Mr. Knapp and Ms. Scalise self-filed their federal tax return (Forms 1040) for tax
18 year 2013.

19 15. For tax year 2013, Mr. Knapp and Ms. Nicolle Scalise filed their Form 1040
20 return with a status of Married Filing Jointly.

21 16. On the date detailed below, a delegate of the Secretary of the Treasury made a
22 timely assessment for unpaid individual income taxes, penalties, and interest against Mr. Knapp
23 and Ms. Scalise for tax year 2013 as follows:

Tax Period and Type	Assessment Date	Assessed Amount	Unpaid Balance (as of 3/14/2022)
12/31/2013 (Form 1040)	4/13/2015	\$2,889.00	\$3,315.29
		TOTAL =	\$3,315.29

17. The IRS gave timely notice and demand as required by 26 U.S.C. § 6303, and both Mr. Knapp and Ms. Scalise refused or neglected to pay the assessed sum described in the immediately preceding paragraph.

18. The IRS made the assessment against John Knapp and Nicolle Scalise for their tax year 2013 Form 1040 liabilities, based on their joint filing status. John Knapp and Nicolle Scalise are jointly and severally liable for the assessment. 26 U.S.C. § 6013(d)(3).

19. The liability remains due and owing, and the unpaid 2013 income tax liability is recoverable against Mr. Knapp and Ms. Scalise.

20. Since the date of assessment above, interest, and statutory additions have continued to accrue on Mr. Knapp and Ms. Scalise's liability as provided by law.

MR. KNAPP'S TAX LIABILITIES

21. Mr. Knapp self-filed federal tax returns (Forms 1040) for all tax periods as issue.

22. On the dates detailed below, a delegate of the Secretary of the Treasury made timely assessments for unpaid individual income taxes, penalties, and interest against Mr. Knapp for tax years 2014, 2015, 2016, 2017, and 2018 as follows:

Tax Period and Type	Assessment Date	Assessed Amount	Unpaid Balance (as of 3/14/2022)
12/31/2014 (Form 1040)	6/26/2017	\$3,975.00	\$7,639.67
12/31/2015 (Form 1040)	7/3/2017	\$8,720.00	\$16,170.19
12/31/2016 (Form 1040)	6/12/2017	\$963.00	\$742.41
12/31/2017 (Form 1040)	12/9/2019	\$20,845.00	\$35,525.28

Tax Period and Type	Assessment Date	Assessed Amount	Unpaid Balance (as of 3/14/2022)
12/31/2018 (Form 1040)	12/23/2019	\$10,957.00	\$18,309.92
		TOTAL =	\$78,387.47

23. The IRS gave timely notice and demand as required by 26 U.S.C. § 6303, and he refused or neglected to pay the assessed sums described in the immediately preceding paragraph.

24. These liabilities remain due and owing, and the unpaid 2014, 2015, 2016, 2017, and 2018 income tax liabilities are recoverable against Mr. Knapp.

25. Since the dates of assessment above, interest, and statutory additions have continued to accrue on Mr. Knapp's liabilities as provided by law.

MR. KNAPP'S TAX LIABILITIES AS THE SOLE MEMBER

OF EVERGREEN INSTALLATION LLC

26. Mr. Knapp self-filed employment and unemployment tax returns (Forms 941 and Forms 940) for all tax periods as issue.

27. Mr. Knapp was the sole member of Evergreen Installation.

28. For employment tax liabilities owed prior to January 1, 2009, the single-member-owner of the LLC is personally liable. *See* 26 C.F.R. § 301-7701-2 (2007); *Medical Practice Solutions, LLC v. Commissioner*, 132 T.C. 125, 127 (2009); *Heber E. Costello, LLC v. Commissioner*, Nos. 31216-12L, 2016 T.C. Memo LEXIS 182, at *12 (2016).

29. Mr. Knapp is personally liable for self-reported employment and unemployment tax liabilities for the 2007 and 2008 tax periods.

30. On the dates detailed below, a delegate of the Secretary of the Treasury made timely assessments for unpaid employment and unemployment taxes, penalties, and interest against Mr. Knapp, in the name of John E. Knapp as the sole member of Evergreen Installation LLC, for tax years 2007 and 2008 as follows:

Tax Period and Type	Assessment Date	Assessed Amount	Unpaid Balance (as of 3/14/2022)
12/31/2007 (Form 941)	6/10/2013	\$10,133.04	\$13,209.37
3/31/2008 (Form 941)	6/10/2013	\$6,496.97	\$17,158.95
6/30/2008 (Form 941)	6/10/2013	\$5,811.58	\$15,177.70
9/30/2008 (Form 941)	6/10/2013	\$6,127.85	\$15,836.01
12/31/2008 (Form 941)	6/24/2013	\$6,324.20	\$16,094.16
12/31/2007 (Form 940)	7/15/2013	\$5,353.14	\$14,300.74
12/31/2008 (Form 940)	7/15/2013	\$4,653.34	\$11,837.56
		TOTAL =	\$103,614.49

31. The IRS gave timely notice and demand as required by 26 U.S.C. § 6303, and Mr. Knapp refused or neglected to pay the assessed sums described in the immediately preceding paragraph.

32. These liabilities remain due and owing and the unpaid 2007 and 2008 employment and unemployment tax liabilities are recoverable against Mr. Knapp.

33. Since the dates of assessment above, interest, and statutory additions have continued to accrue on these liabilities as provided by law.

THE UNITED STATES' FEDERAL TAX LIENS

34. As a result of Mr. Knapp and Ms. Scalise's failure to pay the assessment against them for the 2013 tax year, a tax lien arose in favor of the United States and attached to all property and rights to property belonging to Mr. Knapp and Ms. Scalise, including the Subject Property, pursuant to 26 U.S.C. §§ 6321–6322.

35. As a result of Mr. Knapp's failure to pay the assessments against him in his individual capacity and as sole member of Evergreen Installation for the 2007, 2008, 2014, 2015,

2016, 2017, and 2018 tax years, tax liens arose in favor of the United States and attached to all property and rights to property belonging to Mr. Knapp, including the Subject Property, pursuant to 26 U.S.C. §§ 6321–6322.

36. To provide notice of the statutory liens under 26 U.S.C. § 6323, the IRS recorded the following Notices of Federal Tax Liens (“NFTL”) regarding the tax assessments described in paragraphs 16 and 22 with the appropriate recording office in King County, Washington:

Tax Period	Date Recorded	Instrument Number
12/31/2013 (Form 1040)	9/5/2019	2019-0905000871
12/31/2014 (Form 1040)	9/5/2019	2019-0905000849
12/31/2015 (Form 1040)	9/5/2019	2019-0905000849
12/31/2016 (Form 1040)	9/5/2019	2019-0905000849
12/31/2017 (Form 1040)	1/7/2020	2020-0107000602
12/31/2018 (Form 1040)	1/21/2020	2020-0121001936

37. To provide notice of the statutory liens under 26 U.S.C. § 6323, the IRS recorded the following Notices of Federal Tax Liens (“NFTL”), in the name of “Evergreen Installation LLC // John E Knapp Sole MBR,” regarding the tax assessments described in paragraph 30 with the appropriate recording office in King County, Washington:

Tax Period	Date Recorded	Instrument Number
12/31/2007 (Form 941)	5/13/2014	20140513000326
3/31/2008 (Form 941)	5/13/2014	20140513000326
6/30/2008 (Form 941)	5/13/2014	20140513000326

9/30/2008 (Form 941)	5/13/2014	20140513000326
12/31/2008 (Form 941)	5/13/2014	20140513000326
12/31/2007 (Form 940)	5/13/2014	20140513000326
12/31/2008 (Form 940)	5/13/2014	20140513000326

THE SUBJECT PROPERTY

38. The Subject Property is located at 4906 328th Ave. NE Carnation, Washington 98014 (Parcel Number 117000-0460-05), more particularly described as:

LOT 46 AND AN UNDIVIDED INTEREST IN LOT 42, BRUMBAUGH'S DIVISION NO. 1, ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 89 OF PLATS, PAGE 34, RECORDS OF KING COUNTY, WASHINGTON, SITUATE IN THE COUNTY OF KING, STATE OF WASHINGTON.

39. Mr. Knapp acquired the Subject Property by Warranty Deed on February 26, 1997.

40. Upon information and belief, the Subject Property is presently titled to Mr. Knapp.

COUNT I – REDUCE FEDERAL INCOME TAX ASSESSMENTS AGAINST JOHN E. KNAPP AND NICOLLE M. SCALISE TO JUDGMENT FOR THE 2013 TAX YEAR.

41. The United States incorporates by reference paragraphs 1 through 40, above, as if fully set forth here.

42. The United States is entitled to a judgment against John Knapp and Nicolle Scalise for unpaid federal income tax liabilities and penalties for the 2013 tax year in the amount of \$3,315.29 as of March 14, 2022, plus statutory interest and any other additions permitted by law accruing until paid in full.

COUNT II – REDUCE FEDERAL INCOME TAX ASSESSMENTS

AGAINST JOHN E. KNAPP TO JUDGMENT FOR THE

2014, 2015, 2016, 2017, AND 2018 TAX YEARS.

43. The United States incorporates by reference paragraphs 1 through 40, above, as if fully set forth here.

44. The United States is entitled to a judgment against John Knapp for unpaid federal income tax liabilities and penalties for the 2014, 2015, 2016, 2017, and 2018 tax years in the amount of \$78,387.47 as of March 14, 2022, plus statutory interest and any other additions permitted by law accruing until paid in full.

COUNT III – REDUCE FEDERAL EMPLOYMENT AND UNEMPLOYMENT

TAX ASSESSMENTS AGAINST JOHN E. KNAPP AS SOLE MEMBER OF

EVERGREEN INSTALLATION LLC TO JUDGMENT FOR THE 2007 AND 2008 TAX YEARS.

45. The United States incorporates by reference paragraphs 1 through 40, above, as if fully set forth here.

46. The United States is entitled to a judgment against John Knapp for unpaid employment and unemployment tax liabilities and penalties for the 2007 and 2008 tax years in the amount of \$103,614.49 as of March 14, 2022, plus statutory interest and any other additions permitted by law accruing until paid in full.

COUNT IV – FORECLOSE FEDERAL TAX LIENS ON THE SUBJECT PROPERTY

47. The United States incorporates by reference paragraphs 1 through 46, above, as if fully set forth here.

48. Pursuant to 26 U.S.C. §§ 6321 and 6322, tax liens for the 2007, 2008, 2013, 2014, 2015, 2016, 2017, and 2018 tax years arose in favor of the United States on the dates of the

assessments set forth in paragraphs 16, 22, and 30, above, and attached to all property and rights to property of Mr. Knapp, including the Subject Property.

49. Pursuant to 26 U.S.C. § 6323, the United States' tax liens described in the immediately preceding paragraph are valid as against any purchaser, holder of a security interest, mechanic's lienor, or judgment creditor as of the filing dates of the NFTLs as set forth in paragraph 36 and 37.

50. The United States' tax liens have priority over all interests in the Subject Property acquired after the filing of the NFTLs, subject to 26 U.S.C. § 6323.

51. Under 26 U.S.C. § 7403, the United States seeks and is entitled to an adjudication and determination that its liens attach to the Subject Property.

52. Under 26 U.S.C. § 7403, the United States seeks and is entitled to an adjudication and determination of the validity and priority of all liens and other interests in the Subject Property.

53. Under 26 U.S.C. § 7403(c), the United States is entitled to a decree of sale of the Subject Property, which is owned by Mr. Knapp, with the proceeds to be distributed to the United States and all other creditors in their respective priority of liens and claims of the parties.

RELIEF SOUGHT

WHEREFORE, Plaintiff, the United States of America, prays for the following relief:

A. Enter judgment in favor of the United States against John Knapp and Nicolle Scalise for unpaid federal income taxes, and penalties for tax year 2013 in the amount of \$3,315.29, plus statutory interest and other additions accruing after March 14, 2022, until paid;

B. Enter judgment in favor of the United States against John Knapp for unpaid federal income taxes, and penalties for tax years 2014, 2015, 2016, 2017, and 2018 in the amount

1 of \$78,387.47, plus statutory interest and other additions accruing after March 14, 2022, until
2 paid;

3 C. Enter judgment in favor of the United States against John Knapp for unpaid
4 federal employment and unemployment taxes and penalties for tax years 2007 and 2008 in the
5 amount of \$103,614.49, plus statutory interest and other additions accruing after March 14, 2022,
6 until paid;

7 D. Determine the United States has valid and subsisting federal tax liens against the
8 Subject Property for the unpaid 2007, 2008, 2013, 2014, 2015, 2016, 2017, and 2018 liabilities
9 and further determine the validity and priority of all liens and other interests in the Subject
10 Property;

11 E. Order that the United States' federal tax liens for unpaid years 2007, 2008, 2013,
12 2014, 2015, 2016, 2017, and 2018 liabilities be foreclosed upon the Subject Property, that the
13 Subject Property should be sold, and that the proceeds from the sale be distributed to the United
14 States and all other creditors in their respective priority of liens and claims of the parties; and

15 F. Award the United States its costs and such other and further relief as the Court
16 deems appropriate.

17 Dated: April 7, 2022.

Respectfully submitted,

18 DAVID A. HUBBERT
19 Deputy Assistant Attorney General

20 /s/ Cassandra L. Koven
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